

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, August 4, 1955. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Sloan, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Jones, Chief, Consumer Credit and Finances Section, Division of Research and Statistics
Mr. Paul Smith, Economist, Division of Research and Statistics
Mr. Tynan Smith, Economist, Division of Research and Statistics

Pursuant to an arrangement made by Governor Vardaman following informal discussion at a recent meeting of the Board, Mr. M. J. Spiegel, Chairman of the Board of Spiegel & Co., a mail order house in Chicago, Illinois, and Mr. James E. Burd, Treasurer of that Company, were present and commented informally with respect to the experience of their concern over a period of years in extending instalment credit.

Following a general discussion, they withdrew from the meeting. Governor Shepardson also withdrew at this point along with Messrs. Riefler,

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Young, Solomon, Jones, Paul Smith, and Tynan Smith, and Mr. Chase, Assistant General Counsel, entered the room.

The following matters, which had been circulated to the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Memorandum dated July 28, 1955, from Mr. Sloan, Director, Division of Examinations, recommending the appointment of Charles Edward Aikens as Assistant Federal Reserve Examiner in that Division, with basic salary at the rate of \$4,080 per annum and with official headquarters in Philadelphia, Pennsylvania, effective as of the date on which he enters upon the performance of his duties.

Approved unanimously.

Memorandum dated July 27, 1955, from Mr. Marget, Director, Division of International Finance, recommending that Wendell E. Thorne, Assistant to the Director of that Division, be authorized to travel to Mexico City, Mexico, for a period of two weeks, or up to three weeks if necessary, in connection with the printing of the proceedings of the Fourth Meeting of Central Bank Technicians of the American Continent, with per diem in lieu of subsistence at a rate equal to the rate which would be applicable to travel by Mr. Thorne within the United States.

Approved unanimously.

Letter to Mr. Laurence Foster, Lincoln University, Lincoln University, Pennsylvania, reading as follows:

Several members of the Board's staff have received letters from you regarding the New Program which your University is sponsoring. These letters have been referred to me for reply.

The Board of Governors of the Federal Reserve System does not have facilities or programs that would enable it to participate in the type of field work or internship program that you suggest. However, groups of students from nearby universities frequently visit the Board's offices, and the Board would, of course, be glad to make the same arrangements for you. Such a visit could include a tour

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of the building and several instructive films on the Federal Reserve System and the activities in some of the Federal Reserve Banks. In addition, some member of the staff could meet with your group and discuss the specialized phases of the functions of the Federal Reserve System that might be of interest to them. If your students would like to spend a day or a portion of a day in this type of program, the Board would be happy to make the necessary arrangements.

Approved unanimously.

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

Reference is made to your letter of July 21, 1955, submitting with a favorable recommendation the request of the Fayette County Bank, St. Elmo, Illinois, for permission under section 24A of the Federal Reserve Act to invest approximately \$90,000, including the cost of land, parking lot improvements and certain fixtures and equipment, in the construction of new bank premises directly across the street from its present quarters which are leased.

The Board has given consideration to the asset condition, management, earnings, capital structure, and physical needs of the Fayette County Bank and approves the investment of not to exceed \$90,000 in the proposed new bank premises. It is understood the management of the bank is considering a write-down of \$25,000 or \$30,000 in the investment when construction is completed, and it is expected, thereafter, a satisfactory program for depreciating fixed assets will be adopted. Please advise the bank accordingly.

Approved unanimously.

There was presented a request from Miss Burr, Assistant Director, Division of Research and Statistics, for authority to travel to Cincinnati, Ohio, on August 30 and 31, 1955, to give lectures on Economic Stability and the Federal Reserve System at the Cincinnati Teachers' Institute.

Approved unanimously.

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Prior to this meeting there had been sent to the members of the Board copies of the following draft of letter to the Board of Directors, Manufacturers and Traders Trust Company, Buffalo, New York, together with copies of a memorandum dated August 1, 1955, from the Division of Examinations:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors hereby gives its written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the merger of the First National Bank of Buffalo, Buffalo, New York, into the Manufacturers and Traders Trust Company, Buffalo, New York, and also approves the establishment of branches by the Manufacturers and Traders Trust Company at the following locations:

15 Genesee Street, Buffalo,
New York
2195 Harlem Road, Town of
Cheektowaga, New York

provided that (a) the transaction is effected substantially in accordance with the plan of merger submitted through the Federal Reserve Bank of New York, (b) formal approval is obtained from the appropriate State authorities, and (c) the merger and the establishment of these branches are accomplished within six months from the date of this letter.

Following comments by Mr. Sloan the letter was approved unanimously, for transmittal through the Federal Reserve Bank of New York.

Mr. Sloan then withdrew from the meeting.

The following draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., copies of which had been sent to the members of the Board, was presented for consideration:

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This refers to your request of August 2, 1955, for our comments on enrolled bill S. 1894, the "International Finance Corporation Act".

This legislation would authorize the President to accept membership for the United States in the International Finance Corporation, which is provided for by the Articles of Agreement of the Corporation deposited in the archives of the International Bank for Reconstruction and Development. The Governor and Executive Director of the International Bank and the alternate for each would serve as Governor, Director and alternates of the new Corporation, and the provisions of the Bretton Woods Agreement Act relating to the National Advisory Council on International Monetary and Financial Problems would apply with respect to the new Corporation to the same extent as with respect to the International Bank. The Secretary of the Treasury would be authorized to pay the subscription of the United States to the new Corporation in the amount of \$35,168,000. Federal Reserve Banks would be authorized to act as depositaries or fiscal agents of the Corporation upon request and under the supervision and direction of the Board of Governors.

You are advised that the Board has no objection to the approval of this legislation by the President.

Following a discussion during which Mr. Vest said it was his understanding that requests of this nature constituted a final check by the Bureau of the Budget to ascertain whether there were any comments on the part of interested agencies before approval of the various pieces of legislation by the President, the letter was approved unanimously.

The Secretary stated that a similar request had been received from the Budget Bureau concerning Bill H. R. 5168 and that the following reply to Mr. Jones had been drafted:

Receipt is acknowledged of your communication dated August 2, 1955 requesting the comments of this Board on the bill entitled "Farm Credit Act of 1955" (H. R. 5168).

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The Act does not relate to any matter which is closely related to the Federal Reserve System or the responsibilities of the Board of Governors, and consequently the Board has no comments to offer with respect to it.

Approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 3, 1955, were approved unanimously.

The meeting then recessed and reconvened at 2:45 p.m., with the same members of the Board present as during the morning session. Messrs. Carpenter, Thurston, Assistant to the Board, and Molony, Special Assistant to the Board, were also present.

Chairman Martin stated that since the morning session he had received telephone calls from President Sproul of the Federal Reserve Bank of New York and President Leedy of the Federal Reserve Bank of Kansas City with regard to changes in the discount rates at those Banks. Mr. Sproul stated, Chairman Martin said, that subject to the approval of the Board of Governors, the Board of Directors of the New York Bank had approved a discount rate of 2 per cent effective tomorrow and that the Bank would like to make prompt announcement of the action. Chairman Martin also commented that President Leedy had reported that the meeting of his directors was in progress, that he had argued strongly for a 2-1/4 per cent rate for the Kansas City Bank, but that it appeared that the directors would approve a 2 per cent rate.

The following telegram to the Federal Reserve Bank of New York was approved unanimously, in accordance with the action taken

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at the meeting of the Board on August 3, with the understanding that Mr. Thurston would work out with the staff of the New York Bank the details of the announcement of the New York action:

Reurtel today. Board approves effective August 5, 1955, rates of 2 per cent on discounts for and advances to member banks under Sections 13 and 13a, and 2-1/2 per cent on advances to member banks under Section 10(b). Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being handed to Press at 3:30 p.m. EDST today for immediate release.

The meeting then adjourned.

Secretary's Note: Pursuant to the action of the Board at its meeting yesterday, the following telegrams were sent today, with advice by telegram to all Federal Reserve Banks and branches:

To Mr. McGreedy, Vice President and Secretary, Federal Reserve Bank of Philadelphia

Reurtel today. Board approves effective August 5, 1955, rates of 2 per cent on discounts for and advances to member banks under Sections 13 and 13a, and 2-1/2 per cent on advances to member banks under Section 10(b). Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being handed to Press at 3:30 EDST today for immediate release.

To Mr. Hall, Chairman, Federal Reserve Bank of Kansas City

Reurtel today. Board approves effective August 5, 1955, rates of 2 per cent on discounts for and advances to member banks under Sections 13 and 13a, 2-1/2 per cent on advances to member banks under Section 10(b), and 3-1/4

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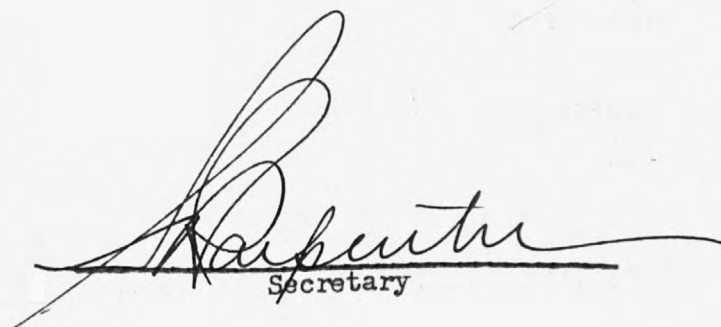
per cent on advances to individuals, partnerships or corporations other than member banks under the last paragraph of Section 13. Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule.

To Mr. Irons, President, Federal Reserve Bank of Dallas

Reurtel today. Board approves effective August 5, 1955, rates of 2 per cent on discounts for and advances to member banks under Sections 13 and 13a, 2-1/2 per cent on advances to member banks under Section 10(b), and 3-1/2 per cent on advances to individuals, partnerships, or corporations other than member banks under last paragraph of Section 13. Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being handed to Press at 3:30 p.m. EDST today for immediate release.

To Mr. Millard, Vice President, Federal Reserve Bank of San Francisco

Reurtel August 3. Board approves effective August 5, 1955, rates of 2 per cent on discounts for and advances to member banks under Sections 13 and 13a; 2-1/2 per cent on advances to member banks under Section 10(b); and 2 per cent on discounts for Federal Intermediate Credit banks. Otherwise, Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule. Board's announcement on change in discount rate is being handed to Press at 3:30 EDST today for immediate release.


Secretary